

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1 2016/2017

BAC1814 – FINANCIAL ACCOUNTING 1

(All Sections / Groups)

10 OCTOBER 2016

9.00AM – 11AM

(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **seven (7)** pages with:
Section A: Twenty (20) multiple choice questions (20%)
Section B: Three (3) structured questions (30%)
2. Answer **ALL** questions.
3. Answer **Section A** in the multiple-choice answer sheet provided and **Section B** in the answer booklet provided.
4. Marks are shown at the end of each question.

SECTION A: MULTIPLE CHOICE QUESTIONS (20 MARKS)

There are TWENTY (20) questions in this section. Answer ALL questions on the multiple choice answer sheet.

1. An advantage of the corporate form of business is that
 - a. it has limited life.
 - b. its owner's personal resources are at stake.
 - c. its ownership is easily transferable via the sale of shares of stock.
 - d. it is simple to establish.
2. The accounting process involves all of the following except
 - a. identifying economic transactions that are relevant to the business.
 - b. communicating financial information to users by preparing financial reports.
 - c. recording nonquantifiable economic events.
 - d. analyzing and interpreting financial reports.
3. The cost principle requires that when assets are acquired, they be recorded at
 - a. appraisal value.
 - b. exchange price paid.
 - c. selling price.
 - d. list price.
4. The proprietorship form of business organization
 - a. must have at least three owners in most states.
 - b. represents the largest number of businesses in the Malaysia.
 - c. combines the records of the business with the personal records of the owner.
 - d. is characterized by a legal distinction between the business as an economic unit and the owner.
5. Which of the following is not an advantage of the corporate form of business organization?
 - a. Limited liability of stockholders
 - b. Transferability of ownership
 - c. Unlimited personal liability for stockholders
 - d. Unlimited life
6. The accounting equation may be expressed as
 - a. $\text{Assets} = \text{Stockholders' Equity} - \text{Liabilities}$.
 - b. $\text{Assets} = \text{Liabilities} + \text{Stockholders' Equity}$.
 - c. $\text{Assets} + \text{Liabilities} = \text{Stockholders' Equity}$.
 - d. $\text{Assets} + \text{Stockholders' Equity} = \text{Liabilities}$.

Continued...

7. Liabilities
 - a. are future economic benefits.
 - b. are existing debts and obligations.
 - c. possess service potential.
 - d. are things of value used by the business in its operation.
8. Revenues would not result from
 - a. sale of merchandise.
 - b. initial investment of cash by owner.
 - c. performance of services.
 - d. rental of property.
9. Owner's equity is decreased by all of the following except
 - a. owner's investments.
 - b. owner's withdrawals.
 - c. expenses.
 - d. owner's drawings.
10. If total liabilities decreased by RM15,000 and owner's equity decreased by RM5,000 during a period of time, then total assets must change by what amount and direction during that same period?
 - a. RM20,000 increase
 - b. RM10,000 increase
 - c. RM20,000 decrease
 - d. RM10,000 decrease
11. If a company is given credit terms of 2/10, n/30, it should
 - a. hold off paying the bill until the end of the credit period, while investing the money at 10% annual interest during this time.
 - b. pay within the discount period and recognize a savings.
 - c. pay within the credit period but don't take the trouble to invest the cash while waiting to pay the bill.
 - d. recognize that the supplier is desperate for cash and withhold payment until the end of the credit period while negotiating a lower sales price.
12. Manufactured inventory that has begun the production process but is not yet completed is
 - a. work in process.
 - b. raw materials.
 - c. merchandise inventory.
 - d. finished goods.

Continued...

13. A law firm received RM2,000 cash for legal services to be rendered in the future. The full amount was credited to the liability account Unearned Service Revenue. If the legal services have been rendered at the end of the accounting period and no adjusting entry is made, this would cause:
- expenses to be overstated.
 - net income to be overstated.
 - liabilities to be understated.
 - revenues to be understated.
14. If goods in transit are shipped FOB destination
- the seller has legal title to the goods until they are delivered.
 - the buyer has legal title to the goods until they are delivered.
 - the transportation company has legal title to the goods while the goods are in transit.
 - no one has legal title to the goods until they are delivered.
15. Having one person responsible for the related activities of ordering merchandise, receiving goods, and paying for them
- increases the potential for errors and fraud.
 - decreases the potential for errors and fraud.
 - is an example of good internal control.
 - is a good example of safeguarding the company's assets.
16. The reconciliation of the cash register tape with the cash in the register is an example of
- other controls.
 - independent internal verification.
 - establishment of responsibility.
 - segregation of duties.
17. Which of the following items on a bank reconciliation would require an adjusting entry on the company's books?
- An error by the bank.
 - Outstanding checks.
 - A bank service charge.
 - A deposit in transit.
18. What causes the balance on the bank statement to differ from the cash balance in the general ledger?
- Time lags.
 - Errors by the bank.
 - Errors by the company.
 - All of these answer choices are correct.

Continued...

19. The primary purpose of the statement of cash flows is to
- a. provide information about the investing and financing activities during a period.
 - b. prove that revenues exceed expenses if there is a net income.
 - c. provide information about the cash receipts and cash payments during a period.
 - d. facilitate banking relationships.
20. Assume that the Fitzgerald Corporation uses the indirect method to depict cash flows. Indicate where, if at all, accounts receivable collected would be classified on the statement of cash flows.
- a. Operating activities section.
 - b. Investing activities section.
 - c. Financing activities section.
 - d. Does not represent a cash flow.

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SECTION B: STRUCTURED QUESTIONS (30 Marks)

There are **THREE** questions in this section. Candidates **MUST** answer **ALL** Three questions.

QUESTION 1

Explain the following accounting terms:

- i. Revenue recognition
- ii. Matching principle
- iii. Materiality
- iv. Faithful representation
- v. Going concern

(10 marks)

QUESTION 2

Manpower Sdn Bhd started its consulting firm in Kuala Lumpur on July 1, 2016. The following transactions occurred during the month of July.

July	1	Shareholders invested RM150,000 cash in the business in exchange for ordinary shares.
	2	Paid RM6,000 for office rent for the month.
	3	Purchased RM5,000 of supplies on account.
	5	Paid RM1,500 to advertise in the local newspaper.
	9	Received RM14,000 cash for service performed.
	15	Performed RM42,000 of service on account.
	17	Paid RM25,000 for employee salaries.
	20	Paid for the supplies purchased on account on July 3.
	23	Received a cash payment of RM1,200 for services performed on account on July 15.
	31	Paid RM1,800 for utilities.

Required:

Journalize the above transactions in General Journal form. Explanations are not required.

(10 marks)

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QUESTION 3

The adjusted trial balance on October 2016 for Furniture Manufacturing Sdn Bhd is shown below.

	RM	RM
Cash	127,000	
Account receivable	94,000	
Supplies	5,000	
Prepaid insurance	25,000	
Equipment	160,000	
Accumulated Depreciation- Equipment		48,000
Account payable		48,000
Salaries and wages payable		11,000
Unearned rent revenue		8,000
Ordinary shares		100,000
Retained earnings		55,000
Service revenue		131,000
Rent revenue		346,000
Salaries and wages expense	181,000	
Supplies expense	20,000	
Rent expense	108,000	
Insurance expense	15,000	
Depreciation expense	12,000	
	<u>747,000</u>	<u>747,000</u>

Required:

- Prepare a statement of profit and loss account for the month ended 31 October 2016.
(4 marks)
 - Prepare a classified statement of financial position as at 31 October 2016.
(6 marks)
- (Total: 10 marks)**

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